

Message Text

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NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAM-01 SAJ-01 EB-11 OMB-01 SS-20 NSC-10 OIC-04 ACDA-19

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FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 3879

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INFO ALL NATO CAPITALS PRIORITY 3651

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 0558

E.O. 11652: GDS 80

TAGS: MCAP EFIN NATO

SUBJECT: NAC AGENDA, 6 FEB 74, ITEM III, BURDENSARING

REFS: A. C-M(74)6 (REPORTED USNATO 484)

B. C-M(74)2 (REPORTED USNATO 535)

C. C-M(74)5 (REPORTED USNATO 530)

D. USNATO 246

E. USNATO 379

BEGIN SUMMARY. SUBJECT AGENDA ITEM PROVIDES COUNCIL OPPORTUNITY FOR POSITIVE NATO INPUT FOR PRESIDENT'S FIRST REPORT TO CONGRESS UNDER JACKSON-NUNN. WE INTEND TO PRESS, AT MINIMUM, FOR DECISION IN PRINCIPLE THAT US SHARE IN INFRASTRUCTURE PROGRAM WILL BE REDUCED TO 20 PCT, ALTHOUGH PROPOSECTS FOR DEFINITE DECISION BY NAC THIS WEEK ARE NOT BRIGHT. ACTION REQUESTED: WASHINGTON CONCURRENCE OR COMMENTS FOR NAC MEETING 6 FEB 74. ALSO REQUEST WASHINGTON GUIDANCE RE INTERVENTION BY EMBASSIES IN BONN, LONDON
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AND PARIS. END SUMMARY.

1. IN REFS A, B, AND C THE RELEVANT NATO COMMITTEES PROVIDE TABLES OF VARIOUS METHODS AND FORMULAE BY WHICH US COST SHARES

OF INFRASTRUCTURE, MILITARY AND CIVIL BUDGETS, AND DEFICIT OF CENTRAL EUROPE PIPELINE SYSTEM, COULD BE REDUCED. COMMITTEES REPORT NO CONSENSUS ON ANY OF THE PROPOSALS AND REQUEST COUNCIL GUIDANCE ON WHETHER, AND TO WHAT EXTENT, ALLIES WISH TO REDUCE US COST SHARES.

2. AS PREVIOUSLY REPORTED, THE SCANDINAVIAN AND BENELUX COUNTRIES AND ITALY AND TURKEY ARE WILLING TO CONTRIBUTE TOWARD REDUCTION OF US SHARES. THE UK, FRG, AND FRANCE (FOR MILITARY BUDGET AT FIFTEEN, CIVIL BUDGET, AND PIPELINE) CONTINUE TO RESIST ANY INCREASE IN THEIR OWN SHARES, THOUGH THE FRG HAS LATELY SHOWN SOME WILLINGNESS TO ACCEPT A MARGINAL INCREASE IN ITS SHARE FOR THE INFRASTRUCTURE PROGRAM.

3. THE MEETING OF THE COUNCIL ON 6 FEB 74 CONSTITUTES OPPORTUNITY FOR THE ALLIES TO PROVIDE A POSITIVE INPUT ON THE SUBJECT OF MULTILATERAL BUDGETARY SUPPORT FOR THE PRESIDENT'S FIRST REPORT TO CONGRESS UNDER THE TERMS OF JACKSON-NUNN. WE INTEND TO PUSH FOR AGREEMENT IN PRINCIPLE THAT US SHARE OF INFRASTRUCTURE PROGRAM WILL BE REDUCED TO 20 PCT AND THAT US SHARES OF OTHER MULTILATERAL PROGRAMS WILL BE REDUCED (PREFERABLY BY OR TO SOME PERCENTAGE FIXED BY COUNCIL DECISION ON 6 FEB). THIS WOULD PERMIT PRESIDENT'S REPORT TO CLAIM AT LEAST \$20 MILLION REDUCTION IN INFRASTRUCTURE PROGRAM PLUS WHATEVER MAY BE DECIDED FOR THE BUDGETS AND THE PIPELINE.

4. WE INTEND TO PRESENT PROBLEM AS CONSISTING OF TWO DIFFERENT TYPES OF ACTIONS:

A. ACTIONS INITIATED PRIOR TO THE CURRENT BURDENSARING EXERCISE BUT WHICH CAN BE CREDITED TO SAVINGS UNDER JACKSON-NUNN:

(1) REDUCTION OF US SHARE OF INFRASTRUCTURE PROGRAM. SECRETARIES LAIRD AND SCHLESINGER HAD BOTH TOLD MINISTERS OF US REQUIREMENT FOR REDUCTION BEFORE JACKSON-NUNN. IN THE MEANTIME, CONGRESS HAS STATED THAT IT DOES NOT INTEND TO FUND MORE THAN A 20 PCT SHARE OF THE PROGRAM AFTER SLICE XXV, CONFIDENTIAL

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THE DE FACTO U.S. COST SHARE FOR THE PREVIOUS FIVE-YEARS WHEN THE QTE EXCEPTIONAL UNQTE ADDITION UNDER EDIP IS TAKEN INTO ACCOUNT. WE CAN THUS NOT AGREE TO PARTICIPATE IN A NEW PROGRAM WITH A US SHARE GREATER THAN 20 PCT. IT THEREFORE BEHOOVES OUR ALLIES TO RECOGNIZE THAT POSITION AND ACCEDE TO IT BY, AT LEAST, AN AGREEMENT IN PRINCIPLE TO FIND A WAY TO MAKE THE REDUCTION. ALTHOUGH THE UK POSITION CURRENTLY LIMITS THE INFRASTRUCTURE CEILING TO IAU 300 MILLION, SUCH A DECISION SHOULD ALLOW US TO CLAIM AN ANNUAL CREDIT OF \$20 MILLION UNDER JACKSON-NUNN. EVENTUAL AGREEMENT TO A LARGER CEILING (OR SHORTENING THE FIVE-YEAR PERIOD TO PERPHAS THREE YEARS) WOULD INCREASE THAT CREDIT. EUROPEAN NATO COUNTRIES COULD FURTHER REDUCE US BALANCE OF PAYMENT EXPENDITURES BY INCLUDING

IN INFRASTRUCTURE A NEW CATEGORY FOR STATIONED FORCES (DISCUSSED SEPARATELY BELOW).

(2) REDUCTION OF US SHARE IN CENTRAL EUROPE PIPELINE SYSTEM DEFICIT. WE HAVE LONG BEEN DISSATISFIED WITH THE DISPROPORTIONATE 36 PCT SHARE WE WERE BEARING OF THE PIPELINE OPERATING DEFICIT. OUR ALLIES IN THE CEPS HAVE, HOWEVER, RESISTED OUR EFFORTS TO REDUCE EITHER OUR SHARE OR THE DEFICIT ITSELF THROUGH BETTER MANAGEMENT OF THE SYSTEM. WE REQUIRE, THEREFORE, A MAJOR REDUCTION IN OUR PIPELINE EXPENDITURE. WHILE WE WOULD PREFER TO BE TREATED AS WELL AS CIVIL CLIENTS OF THE SYSTEM AND THUS NOT BE OBLIGATED TO CONTRIBUTE TO THE DEFICIT, WE CAN ACCEPT A MODERATE SHARE (12 PCT) IF OUR ALLIES WILL JOIN WITH US IN AN EFFORT TO REDUCE THE DEFICIT. REDUCTION OF OUR SHARE OF THE CURRENT DEFICIT TO 12 PCT WOULD ALLOW AN ANNUAL JACKSON-NUNN CREDIT OF \$2 MILLION.

B. A SECOND CATEGORY INCLUDES ACTIONS WHICH PROVIDE OUR ALLIES WITH AN OPPORTUNITY TO MULTILATERALIZE BUDGETARY SUPPORT THUS REDUCING REQUIREMENT FOR BILATERAL BUDGETARY SUPPORT:

(1) A 30 PCT REDUCTION IN OUR SHARES OF THE MILITARY AND CIVIL BUDGETS WOULD PROVIDE SOME \$14-15 MILLION ANNUAL CREDIT. THE BELGIAN PROPOSAL (REF D, PARA 1) TO THE COUNCIL ON 16 JAN 74 WOULD BE POLITICALLY USEFUL BUT WOULD REDUCE THAT CREDIT BY ONLY ABOUT \$2 MILLION.

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FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 3880

SECDEF WASHDC PRIORITY

INFO ALL NATO CAPITALS PRIORITY 3652

C O N F I D E N T I A L SECTION 2 OF 2 USNATO 0558

(2) ADDITIONAL INFRASTRUCTURE CATEGORY FOR US STATIONED FORCES COULD PROVIDE ANNUAL CREDIT OF SOME \$30 MILLION (THE AVERAGE APPROPRIATE BY CONGRESS FOR UNILATERAL FUNDING OF SUCH FACILITIES IN THE PAST). WE DO NOT, HOWEVER, WISH TO DEBILITATE

THE PROGRAM BY DISPLACING OTHER URGENT MILITARY PROJECTS, THUS ANY SUCH CATEGORY SHOULD BE FUNDED OVER AND ABOVE THE CEILING ESTABLISHED IN RESPECT TO MILITARY REQUIREMENTS (REF E, PARAS 4 AND 5). THIS ACTION COULD BE ADOPTED ON ANNUALLY RENEWABLE BASIS TO ACKNOWLEDGE ALLIES' CONCERNS RE LONG-TERM COMMITMENTS.

5. WE HOPE TO CONVINCE OUR ALLIES THAT, WHILE CONTRIBUTING TO CREDITS UNDER JACKSON-NUNN, THE PROPOSALS IN SUBPARA 4.A. ABOVE ARE SINE QUA NON FOR OUR CONTINUED PARTICIPATION IN THE RELEVANT PROGRAMS. THOSE OF SUBPARA 4.B. ABOVE, ON THE OTHER HAND, ARE OPTIONAL PROPOSALS TO ACHIEVE MULTILATERAL SOLUTION TO A PORTION OF THE \$400 MILLION IN BUDGETARY SUPPORT WHICH MUST BE SOUGHT BILATERALLY FROM THE ALLIES (INCLUDING FRG). IN COMPLIANCE WITH THE PAST US POSITION AND WITH RUMSFELD'S STATEMENT TO THE NAC ON 29 NOV 73, CHOICE OF SOLUTIONS RESTS WITH OUR ALLIES.

6. IN CONCLUSION, WE INTEND TO EMPHASIZE THE IMPORTANCE OF CONFIDENTIAL

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POSITIVE INPUT TO THE PRESIDENT'S FIRST REPORT TO CONGRESS, WHICH COULD DIMINISH THE DANGER OF AN IMPOSED PREMATURE WITHDRAWAL OF US TROOPS FROM NATO EUROPE. SUCH INPUT CAN ONLY COME FROM CONCRETE DECISIONS ON MULTILATERAL BUDGETS PENDING CONCLUSION OF THE US/FRG OFFSET NEGOTIATIONS AND THE STUDY OF ALLIED INTENT TO PROCURE MILITARY MATERIEL IN THE US. IN PUT FROM THESE LATTER POSSIBILITIES CAN ONLY BE EXPRESSED AS SOMEWHAT UNCERTAIN INTENTIONS OR HOPES AT THIS TIME.

7. OUR CHANCES OF SUCCESS WOULD BE IMPROVED IF EMBASSIES IN BONN, LONDON, AND PARIS WERE TO REITERATE USG INTEREST IN MULTILATERAL BURDENSARING TO THEIR RESPECTIVE GOVERNEMENTS. IN BONN, PRESIDENT'S CONCERN EXPRESSED IN LETTER OF 19 JAN 74 TO BRANDT SHOULD BE EMPHASIZED. IN LONDON, IT SHOULD BE NOTED THAT HMG'S OFFER LIMITED TO 12 PCT OF AN IAU 300 MILLION CEILING FOR INFRASTRUCTURE SLICES XXVI-XXX IS ONLY 55 PCT OF ITS IAU 66 MILLION SHARE OF PROGRAM FOR PREVIOUS FIVE YEARS (INCLUDING EDIP). MAINTENANCE OF A UK SHARE OF THAT ORDER WOULD AMOUNT TO SOME 15 PCT OF A CEILING AS HIGH AS IAU 450 MILLION. ADDITIONAL EFFORT REQUESTED OF UK IN MILITARY BUDGET AMOUNTS TO VERY MARGINAL 0.3 PCT AND ITS CIVIL BUDGET SHARE WOULD ACTUALLY BE REDUCED. GOF SHOULD BE REMINDED THAT, LACKING A SHARE IN THE MAJOR BURDENSARING FIELD OF INFRASTRUCTURE, A FINANCIALLY MINOR GESTURE (LESS THAN \$2 MILLION) IN THE MILITARY AND CIVIL BUDGET AREAS WOULD HAVE DISPROPORTIONATELY SIGNIFICANT EFFECT ON ALLIED EFFORTS. ADJUSTMENT OF SHARES CAN LOGICALLY BE CONSIDERED AS LONG OVER DUE REDISTRIBUTION OF SHARES IN NATO'S BUDGETS TO EQUALIZE CONTRIBUTIONS OF US, UK, FRG, AND FRANCE PER BELGIAN PROPOSAL (REF D). ADDITIONAL FRENCH CONTRIBUTION (LESS THAN \$1 MILLION) REQUESTED TOWARD CEPS IS ALSO MINOR AND BASED ON EQUITY RATHER THAN BURDENSARING PER SUBPARA 4.A(2) ABOVE.

8. REQUEST CONCURRENCE OR COMMENTS FOR USE IN NAC ON
6 FEB 74. ALSO REQUEST WASHINGTON DECISION ON INTERVENTION BY
EMBASSIES BONN, LONDON, AND PARIS.
RUMSFELD

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